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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

November 8, 2007

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Honorable Alphonso Jackson
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

The Honorable James Nussle
Director
Office of Management and Budget
725 17th Street, NW
Washington DC 20503

Dear Secretary Jackson and Director Nussle:

We are writing to ask what plans the Administration has to address the growing budget and management crisis in HUD's Section 8 project-based assistance program.

We write out of concern that recent HUD actions, including late payments and truncated contract funding terms, threaten to have a significant negative impact on owner confidence in the project-based Section 8 program. We are further concerned that such a loss of confidence could lead to an unnecessary exodus of many owners from the program, thus undermining broader legislative efforts to preserve federally assisted, privately owned, affordable housing units nationwide.

As you know, the Subcommittee on Housing and Community Opportunity held a hearing on late Section 8 Housing Assistance Payments (HAP) on October 17th. Section 8 owners and sponsors testified at that hearing about a widespread pattern over the last several months of both extended late HAP payments and about a new and troubling HUD practice of "short funding" 12-month contracts, by not providing a full year's funding when a contract is renewed. That hearing, as well as a recent briefing by HUD staff, also raised troubling questions about the adequacy of HUD's FY 2008 budget request for this program.

In particular, we are concerned that the Administration's plan appears to be to manage the program to what appears to be an inadequate budget request by expanding its recent practice of short funding contracts. This practice arose out of a recent legal opinion change made at HUD, which apparently was not made in writing and still has not been supplied to the House Financial Services Committee, despite requests to provide it.

This practice of short funding contracts for a period of less than one year is unacceptable, as it undermines owner and investor confidence in the reliability of timely Section 8 payments. Employing this practice in FY 2008 is also likely to substantially increase FY 2009 renewal costs, and we are concerned that the FY 2009 budget will not be adequate to meet such costs.

We believe it is essential that HUD commit to returning to a policy of providing funding for the renewal of all HAP contracts for at least one full year.

As Congress finishes its negotiations on the FY 2008 THUD appropriations conference report, it is also critical that Congress be provided, on a timely basis, both the information needed to assess program renewal needs and a recommended Administration plan to resolve the impending Section 8 project based funding crisis. Therefore, we request that the Administration submit to Congress as soon as possible transparent budget information showing the full estimated cost of renewing all HAP contracts for full one year terms for both FY 2008 and FY 2009.

To the extent that the current FY 2008 Administration budget is inadequate to meet this need, we ask the Administration to make budget recommendations to resolve this inadequacy. There are a number of different potential options for resolving this shortfall, including:

- (a) resolving the legal issues that caused HUD to change its legal opinion this year,
- (b) requesting a supplemental emergency amount for FY 2008 (and making an adequate renewal request for FY 2009), or
- (c) requesting an advance appropriation for FY 2009 to cover the budget authority for the portion of contracts executed in FY 2008 that will be paid out in FY 2009.

We thank you for your prompt response to this letter.



BARNEY FRANK



MAXINE WATERS



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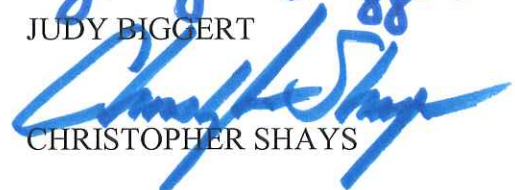
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